

DIRECT TESTIMONY

OF

KAREN A. GOLDBERGER

ACCOUNTING DEPARTMENT

FINANCIAL ANALYSIS DIVISION

ILLINOIS COMMERCE COMMISSION

ILLINOIS COMMERCE COMMISSION

ON ITS OWN MOTION

-VS-

COMMONWEALTH EDISON COMPANY

DOCKET NOS. 99-0282 AND 99-0273 (CONSOLIDATED)

JUNE 1999

**Witness Identification**

**Q. Please state your name and business address.**

A. My name is Karen A. Goldberger. My business address is 527 East Capitol Avenue, P.O. Box 19280, Springfield, Illinois 62794-9280.

**Q. By whom are you employed and in what capacity?**

A. I am a Senior Accountant in the Accounting Department of the Financial Analysis Division of the Illinois Commerce Commission.

**Q. Please describe your background and professional affiliations.**

A. I am a licensed CPA with a Bachelor of Arts Degree in Accountancy from Sangamon State University and a Master of Arts Degree in Accountancy from the University of Illinois at Springfield and a member of the American Institute of Certified Public Accountants. I joined the staff of the Illinois Commerce Commission (Staff) in August 1993.

**Q. What is the function of the Accounting Department of the Illinois Commerce Commission?**

A. The Department's function is to monitor the financial condition of public utilities as part of the Commission's responsibilities under Article IV of the Public Utilities

Act (Act) (220 ILCS 5/4-101 et seq.) and to provide accounting expertise on matters before the Commission.

**Q. Have you previously testified before this Commission?**

**A.** Yes, I have.

**Q. What are your responsibilities in this case?**

**A.** I have been assigned to this case by the Director of the Accounting Department of the Commission. I am to review Commonwealth Edison Company's (ComEd or Company) filing, and propose recommendations where appropriate.

**Purpose of Testimony**

**Q. What is the purpose of your testimony in this proceeding?**

**A.** The purpose of my testimony is to present the following comments or recommendations:

1) ComEd has complied with the filing requirements of Section 16-111(g)(4)(i), (ii), (iii), (iv) of the Act,

2) ComEd has complied with the requirements of Section 16-128(c) of the Act, and

34 3) ComEd should file journal entries recording the sale in compliance with the  
35 instructions for Account 102 of the Uniform System of Accounts for Electric  
36 Utilities (USOA) (83 Ill. Adm. Code 415).

37 **Q. On May 13, 1999, ComEd filed a Notice of Property Sale to sell its fossil-**  
38 **fueled generating station assets under Section 16-111(g) of the Act. What**  
39 **factors did the Commission consider prior to initiating this docket**  
40 **regarding the proposed sale?**

41 **A.** Commonwealth Edison Company filed a Notice of Property Sales (Notice) of its  
42 fossil-fueled generating facilities to Edison Mission Energy (Mission). The  
43 generating capacity of the fossil stations is about 41% of the Company's net  
44 dependable generating capacity (Staff Report, May 18, 1999). Section 16-  
45 111(g)(4)(vi) states that when an electric utility sells generating plant that brings  
46 the amount of net dependable generating capacity transferred to an amount  
47 equal to or greater than 15% of its net dependable generating capacity, the  
48 Commission may issue an order to initiate a hearing on the proposed  
49 transaction. On May 18, 1999, this proceeding was initiated to determine  
50 whether the proposed sale of the assets should be approved or prohibited.

**Compliance with Section 16-111(g)(4)(i), (ii), (iii), (iv)**

**Q. Section 16-111(g)(4), in subparagraphs (i) through (iv), defines certain filing requirements to be included in the Notice. Did the Company comply with the filing requirements of Section 16-111(g)(4)(i), (ii), (iii), (iv)?**

**A.** Yes. Section 16-111(g)(4)(i) requires the Company to provide a complete statement of the accounting entries it will make on its books to record the sale of the assets and a certificate from an independent CPA stating the entries are in accordance with Generally Accepted Accounting Principles (GAAP). If the transaction is with an affiliate, this subparagraph also requires a certification from the Company's chief accounting officer that the accounting entries are in accord with any cost allocation guidelines that have been previously approved by the Commission. The Company's filing provided the accounting entries and a statement from Arthur Anderson LLP, Report of Independent Public Accountants, that the entries are in accordance with GAAP. Although not required, as this is not a transaction with an affiliate, the Company provided a statement that the accounting entries are in accordance with ComEd's previously approved guidelines for transactions between ComEd and its affiliates as approved by the Commission in Docket No. 95-0615.

Subparagraph (ii) requires a description of how the Company will use the proceeds to reduce debt or to recover the cost of services provided by the utility. The Company has stated in the filing it will use all of the pre-tax gain to amortize the

73 regulatory asset that was created as part of a generating plant investment  
74 impairment analysis following the passage of the 1997 amendments to the Act.  
75 According to the Company, this will be a future benefit to the ratepayers as it will  
76 result in a lower rate base than the Company would otherwise have the next time  
77 the Company's base rates are set. The Company has also stated it will use the  
78 proceeds to enhance its nuclear generating operations and its transmission and  
79 distribution system, to fund environmental initiatives, and to invest in economic  
80 development projects. The Company has furthermore stated the proceeds could  
81 be used to redeem debt or to avoid the need to issue new debt.

82  
83 Subparagraph (iii) requires a list of all other State and federal approvals the  
84 utility has obtained or will obtain. The Company included list of all of the  
85 approvals necessary in its filing in addition to those required by the Federal  
86 Energy Regulatory Commission, the Federal Trade Commission, and the United  
87 States Department of Justice pursuant to the Hart-Scott-Rodino Antitrust  
88 Improvements Act of 1976.

89  
90 Subparagraph (iv) requires an irrevocable commitment that the sale will not  
91 increase transition charges it might otherwise be allowed to recover under Article  
92 XVI of the Act or impose any stranded costs that it might otherwise be allowed to  
93 charge its retail customers under federal law. The Company provided an  
94 irrevocable commitment stating it will not increase the transition charges,

otherwise allowed under Article XVI, or imposes any stranded costs, otherwise allowed by the federal government.

In my opinion, the Company has provided the information required by the various subparagraphs of Section 16-111(g)(4) as discussed above.

**Compliance with Section 16-128**

**Q. Section 16-111(g) also states the utility must comply with Section 16-128 subsections (c) and/or (d), if applicable. What are the requirements of Section 16-128 (c) and (d)?**

**A.** Subsection (c) of Section 16-128 requires that if a generating plant is sold during the mandatory transition period, the acquiring entity must hire enough non-supervisory personnel to maintain and operate the station(s) by first offering present employees a position at no less than the wage rates, and substantially equivalent fringe benefits and terms and conditions of employment that are in effect at the time of transfer of ownership. The wages and benefits must continue for no less than 30 months from the time of the sale. Both parties are allowed to agree to other terms during the 30-month period as long as the agreement is mutual. If the acquiring entity needs fewer employees, the utility must offer a transition plan to those employees not hired. Subsection (d) states that if the transfer is to a majority-owned subsidiary, the subsidiary shall continue to employ the same employees under the same terms and conditions of

employment. If the subsidiary subsequently sells to a third party during the transition period, then the transition provisions in subsection (c) apply.

**Q. Do either subsection (c) or (d) of Section 16-128 apply to this transaction?**

**A.** Yes. Subsection (c) applies.

**Q. Has the Company met the requirements of Section 16-128(c)?**

**A.** Yes. The Company's filing states there is a negotiated and agreed upon package between ComEd and Local 15 of the International Brotherhood of Electrical Workers. The provision of this package includes the requirement that Mission offer non-supervisory positions to ComEd's employees before hiring from outside of ComEd. This requirement, which is included in the Mission agreement, also provides assurances that Mission will offer employment to a sufficient number of non-supervisory employees to operate and maintain the fossil fuel generating stations and will continue to employ some individuals to operate the stations who have operated the stations on a day-to-day basis for many years. The Mission agreement also states the offers of employment to the non-supervisory personnel will be made at no less than the wage rates, and substantially equivalent fringe benefits and terms and conditions of employment that are in effect at the time of the closing date of the sale. Those terms and conditions of employment that are in effect at the time of sale shall continue for



at least 30 months from the closing date of the sale, unless there is a mutual agreement to different terms and conditions during that 30-month period.

Any non-supervisory employee who is not offered a position by Mission and does not take a position with ComEd will be eligible for a transition package which includes continued medical coverage, life insurance coverage, and severance pay. Also, certain employees will be eligible for retiree coverage under ComEd's group health care plan.

Supervisory personnel who do not take a position with Mission or ComEd will be eligible for a similar package.

In my opinion, the agreement between ComEd and Mission, regarding the non-supervisory employees hired by Mission, and the transition package, offered by ComEd to non-supervisory employees not hired by Mission and who do not take a position with ComEd, fulfill the requirements of Section 16-128(c) of the Act.

**Compliance with the USOA**

**Q. Do you have any comments regarding the journal entries recording the sale of the assets?**

**A.** Yes. Account 102 "Electric plant purchased or sale" of the USOA (83 Ill. Adm. Code 415) states:

158 “A. This account shall be charged with the cost of electric plant acquired  
159 an as an operating unit ...and shall be credited with the selling price of  
160 like property transferred to others pending the distribution to appropriate  
161 accounts in accordance with electric plant instruction 5. B. Within six  
162 months from the date of acquisition or sale of property recorded herein,  
163 the utility shall file with the Commission the proposed journal entries to  
164 clear from this account the amounts recorded herein.”

165 Therefore, within six months from the date of sale, the Company should file the  
166 journal entries recording the sale with the Commission in accordance with the  
167 instructions for Account 102 of the USOA, and Staff requests the entries also be  
168 provided to the Director of Accounting.

169 **Conclusion**

170 **Q. Please summarize your comments and recommendations.**

171 **A.** My conclusions are as follows:

172 1) The Company has complied with the filing requirements in Section 16-  
173 111(g)(4), subparagraphs (i) through (iv) of the Act.

174 2) The Company has complied with Section 16-128(c) of the Act.

175 3) The Company should comply with the instructions for Account 102 of the  
176 USOA by filing with the Commission the journal entries that record the sale.  
177 The journal entries recording the sale should be provided to the Director of  
178 Accounting.

179 **Q.** Does this conclude your prepared direct testimony?

180      A.      Yes, it does.